

V.C. Summer Nuclear Station Units 2 & 3

Quarterly Report to the South Carolina Office of Regulatory Staff Submitted by South Carolina Electric & Gas Company

Quarter Ending September 30, 2018

I. Introduction and Summary

A. Introduction

This quarterly report concerning the status of the construction of V.C. Summer Nuclear Station (VCSNS) Units 2 and 3 (the Units) is submitted by South Carolina Electric & Gas Company (SCE&G or the Company) to the Public Service Commission of South Carolina (Commission) and the South Carolina Office of Regulatory Staff (ORS). SCE&G has abandoned the project and ceased all work on the Units. Therefore, there is no information to report concerning the progress of construction of the plant nor is there information to report as to the construction schedule or the other items listed at S.C. Code Ann. § 58-33-277. Nonetheless, the Company is providing the following update on abandonment activities.

B. Structure of Report and Appendices

The current reporting period is the quarter ending September 30, 2018. Unless otherwise stated, the information set forth in this report is current as of September 30, 2018. The report is divided into the following sections:

Section I: Introduction and Summary;

Section II: Progress of Abandonment and Placing in Service of Certain Assets;

Section III: Anticipated Construction Schedules;

Section IV: Schedules of the Capital Costs Incurred Including Updates to the Information Required by S.C. Code Ann. § 58-33-270(B) (6) (the Inflation Indices);

Section V: Updated Schedule of Anticipated Capital Costs; and

Section VI: Conclusion.

Given the brevity of this report, no glossary of acronyms and defined terms is attached.

C. Project Overview

Construction Costs and Cost Forecasts. No spending on the Units occurred during the period because the project has been abandoned.

Post-Abandonment Costs. All costs related to the abandonment activities and permit closures associated with the site that have been incurred since September 30, 2017, were expensed and therefore were not recorded as capital costs of the project. Only adjustments to the costs incurred prior to September 30, 2017, and finalized thereafter, will be recorded as project costs going forward.

Transmission. The capital cost schedules for the Units originally included the cost of certain transmission system upgrade projects. Those transmission projects are not being abandoned. Certain of these projects have been completed as of September 30, 2018, and placed into service to meet customer requirements. The remainder of them will have construction completed before the end of 2018 and will be placed in service before the end of January 2019. The capital costs associated with these transmission system projects and the escalation and Allowance for Funds Used during Construction (AFUDC) associated with them have been removed from the costs schedules for the BLRA project costs as were reported in **Appendix 2**. In total, approximately \$399 million in actual and anticipated transmission project investment and associated escalation and AFUDC have been removed from the amounts that were shown in **Appendix 2** in the Quarterly Report for the Quarter Ending September 30, 2017. As of the close of the period ending September 30, 2018, \$341 million of this \$399 million amount had been incurred. Transmission projects with a value of \$280 million had been completed and were closed to plant in service as of September 30, 2018.

Assets Supporting Unit 1. The capital cost schedules for the Units originally included the costs of certain assets that were constructed or acquired to support both Unit 1 and Units 2 & 3. These assets include the Switchyard, the off-site potable water system, the wastewater treatment facility for shared facilities, the Nuclear Operations Building, the Nuclear Learning Center Annex, the railroad spur serving the site, certain emergency services facilities and security training facilities, as well as the updated work management system (CHAMPS) and other software and IT infrastructure. The capital costs associated with these items have been removed from the BLRA capital cost schedules and the items are being (or have been) placed in service to be used in generation or transmission operations, or nonutility property. Included in this category are assets with a capital cost of approximately \$87 million as set forth below (note that costs do not include associated AFUDC).

CHART A

Category	Amount (\$ millions)
1. Switchyard	\$31
2. Off-Site Water System	\$23
3. Nuclear Operations Building	\$11
4. CHAMPS work management system	\$7
5. Nuclear Learning Center Annex	\$5
6. Miscellaneous (e.g., emergency services facility, security training facility, software licenses, wastewater treatment, facility, IT infrastructure, railroad spur)	\$10
Total	\$87

II. Progress of Abandonment and Placing in Service of Certain Assets

Work on the project ceased on July 31, 2017, except for work necessary to safely demobilize the workforce, stabilize the site and close out certain environmental and other permits. That work is continuing but is not being capitalized as a cost of the project under the BLRA.

A. Equipment, Rental Returns, Storage, Invoice Review, Records and Other Site Activities

Equipment. During the period, Santee Cooper's contractor, Fluor, continued to perform Maintenance, Preservation and Documentation (MPD) activities solely at Santee Cooper's direction.

Rental Returns. Work continued during the period to oversee the collection and removal from the site of rental equipment, including concrete form work, equipment containers and other small equipment.

Invoice Review. SCE&G continued reviewing and reconciling invoices relating to funding for work done pursuant to the Interim Assessment Agreement. When this review and reconciliation is complete, an adjustment will be made to the capital cost schedules.

Off Site Water System. Start-up activities were completed for the Off-Site Water System, which will provide water for the Nuclear Operations Building and other facilities associated with Unit 1. Work continued to finalize permitting and underground connections to Unit 1.

Asset removal. Contractors and vendors continued removing their equipment under SCE&G oversight.

Hazardous Construction Materials. Collection, storage and removal of fuels, solvents, paints and other hazardous materials used in construction continued.

Off-site storage. SCE&G ended the leases for two off-site warehouses where materials were being stored. All materials from these warehouses were relocated to storage space on-site during this period. SCE&G paid 55% of the rent associated with these warehouses, and Santee Cooper paid 45%. The lease for one warehouse ended on August 21, 2018, and the second warehouse lease ended on August 31, 2018.

Ownership of Material, Equipment and Project Assets. With very limited exceptions, the Company has abandoned all rights to the project material, equipment and other assets. Presumably, Santee Cooper, as the only remaining joint owner of the assets, has the authority to determine what it wishes to do with these assets.

Record Preservation. Pursuant to Commission order, the Company continued work to assemble, secure and maintain documents and records at the site.

B. Licensing and Permitting and Regulatory Proceedings

1. Combined Operating Licenses

SCE&G asked the NRC to withdraw the Combined Operating Licenses for the Units on December 27, 2017. On January 8, 2018, Santee Cooper asked the NRC to refrain from taking any action relating to termination for 180 days. In an April 19, 2018 letter, the NRC acknowledged both SCE&G's and Santee Cooper's requests and is currently reviewing the requests. On July 23, 2018 Santee Cooper provided the NRC a status report informing them that the issue of terminating the COLs will be taken up at the next available Santee Cooper Board meeting. SCE&G understands that this Board meeting has yet to occur but is expected to occur before the end of 2018.

The NRC noted that because the COLs and the provisions they contain concerning the quality assurance program remain in effect until such time as the NRC approves withdrawal of the COLs, a licensee should consider actions associated with maintaining documentation attesting to the quality of structures, systems, or components (SSCs) important to safety and developing and implementing a program to preserve and maintain such SSCs' importance to safety. SCE&G has continued to submit all required regulatory filings to the NRC. Due to abandonment of the site, SCE&G is not currently performing any preservation activities at the site.

During the period, the NRC approved the indirect transfer of the COLs from SCANA Corporation to Dominion Energy, Inc., pending the closing of the merger between the two companies. No physical changes to the facility or operational changes were proposed as part of this initial transfer.

2. Permit Closure

During the period, work continued on closing out fifteen S.C. Department of Health and Environmental Control construction and storm water construction permits. Twelve of these have been closed out to date. This involves stabilizing and seeding slopes and other areas and converting temporary retention basins to a permanent configuration. All site modifications were completed during this period and only stabilization with seeding remains. In addition, an NPDES discharge permit and the air quality batch plant permit have been closed. The Federal Aviation Administration permits are also being closed out. The US Army Corps of Engineers 404 permit will remain in place until the transmission projects are complete. FERC has been informed that the intake structures for the Raw Water System that were installed in Lake Monticello have been stabilized, and all temporary structures removed. Removal of the outfalls in the Parr Reservoir for the Waste Water Treatment System serving Units 2 & 3 has completed, the outfalls have been stabilized, and all temporary structures have been removed. These activities support closing out of the associated FERC permits. During the period, removal of the equipment within the Parr Hydro Project Boundary at the Fairfield Pump Storage Facility was completed.

C. Change Control/Owners' Cost Forecast

Various material and construction liens have arisen as a result of the decision to abandon the project. SCE&G is working to resolve these liens.

D. Transmission

As of the close of the period, 100% of the transmission structures and approximately 96% of the wire miles comprising the transmission aspects of the project were complete.

Construction activities were completed on the VCS2-St. George 230 kV Lines No. 1 and No. 2 segment between the Saluda Rapids and Dunbar Road and activities continued between Gaston and Orangeburg. These activities included installation of poles and conductors.

III. Anticipated Construction Schedules

Appendix 1 to this quarterly report has not been updated and is not included in this report.

IV. Schedules of the Capital Costs Incurred Including Updates to the Information Required by S.C. Code Ann. § 58-33-270(B) (6) (the Inflation Indices)

In light of the decision to abandon the project, the approved capital cost targets have not been adjusted to reflect the currently reported historical escalation rates.

Appendix 3, which set out the cash flow schedule for the project as it was approved in Order No. 2016-794, has not been updated and is not included in this report.

A. Inflation Indices

Appendix 4, which showed the updated inflation indices approved in Order No. 2009-104(A), has not been updated and is not included in this report.

V. Updated Schedule of Anticipated Capital Costs

There are no future capital costs associated with the project.

VI. Conclusion

In light of the decision SCE&G made on July 31, 2017, to abandon the construction of Units 2 and 3 at the V.C. Summer Nuclear Station in Jenkinsville, S.C., the Company continues only with the work that is necessary to safely demobilize the project, stabilize the site and close out certain environmental and other permits. That work is continuing but is not being capitalized as a cost of the project under the BLRA.

VII. APPENDIX 1, 3-5

V. C. Summer Nuclear Station Units 2 & 3

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Staff Submitted by South Carolina Electric & Gas Company
Pursuant to Public Service Commission Order No. 2009-104(A)**

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NO UPDATE

VIII. APPENDIX 2

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NO UPDATE